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C O N F I D E N T I A L SECTION 01 OF 05 MANAGUA 002169

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STATE FOR WHA, WHA/CEN, WHA/EPSC AND IO/UNP
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TREASURY FOR SARA GRAY
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SUBJECT: CHECKBOOK DIPLOMACY? TAIWANESE PRESIDENT VISITS
NICARAGUA

REF: A. TEGUCIGALPA 1449 (NOTAL)

[1](#)B. MANAGUA 1783 (NOTAL)

[1](#)C. MANAGUA 1865 (NOTAL)

Classified By: Ambassador Paul Trivelli for reasons 1.4 b&d.

[1](#)1. (C) Summary: On Aug 26-28, President Chen Shui-ban of Taiwan visited Nicaragua as part of an effort to retain Nicaragua's diplomatic recognition of his country. For the Nicaraguans, the visit was an opportunity to secure more assistance and foreign investment. Throughout the visit, Chen repeatedly praised Ortega, calling him "brother" on more than one occasion. While amounts as large as USD 400 million were bandied about during the visit, in reality Taipei has agreed to provide Nicaragua with support worth only about USD 830,000 for electricity generation, donations to a local hospital, and support for the Hambre Cero anti-hunger program -- all in exchange for continued diplomatic recognition of Taiwan. In fact, the Taiwanese DCM has told us privately that most assistance will be in the form of investment as opposed to direct aid, and nowhere near the USD 400 million that was reported in the press. Ortega used the discussion of trade to criticize CAFTA, advocating again "fair trade vs. free trade," and calling on the Taiwanese to engage in "fair trade" with Nicaragua by providing technological and financial assistance to improve the prices for Nicaraguan goods overseas. Taipei views its relationship with Nicaragua as the linchpin to retaining diplomatic recognition in Central America and the Caribbean, as evidenced by Chen's four official visits to Nicaragua since taking office. However, the Ortega-Chen relationship is not an easy one for Taipei, due primarily to Ortega's far left political inclinations. Nonetheless, Chen tolerated the Sandinista spin on the visit and assistance promises in order to secure the precious fruit of continued diplomatic recognition. End

Summary.

Chen and Ortega- Best Buddies

¶2. (U) On Aug 26-28, President Chen Shui-ban of Taiwan visited Nicaragua with an 88-member public-private delegation. This is Chen's second visit in 2007 (he came for Ortega's inauguration) and his fourth visit since his own inauguration in 2000. For Ortega the visit affirmed current Taiwanese assistance and commercial ties and presented new ways to expand the relationship. For Chen the visit reinforced Taipei's keen desire to retain diplomatic status with Nicaragua and offered an opportunity to lobby for support for Taiwan's petition to join the UN. The two presidents signed a joint communique which reaffirmed their friendship and cooperation; reiterated the importance of continued investment by Taiwan in Nicaragua; promoted the signing of a "fair trade" agreement; and recognized the high value of democracy and the necessity of people to play an active role in strengthening and deepening democracy.

¶3. (U) Throughout his visit, President Chen repeatedly praised Ortega's achievements in improving education and health and working to end poverty and illiteracy, and stated he had "much to learn" from Ortega. He added that only Ortega could "bring peace, work, and hope so that the people may see progress and never suffer from hunger." Calling Ortega his "brother," Chen pointed out that both men began their careers studying law, then entered their countries' respective revolutionary or democratic movements, and served prison terms as political prisoners.

Taiwan's Diplomatic Priorities: Nicaragua, a linchpin

¶4. (SBU) Chen's effusive praise of Ortega was part of Taipei's concerted effort to keep secure Nicaragua's long-standing diplomatic recognition of Taiwan, a status widely considered in jeopardy following Costa Rica's recent official recognition of the People's Republic of China (PRC).

(Note: Taiwan closed its embassy in Nicaragua for ten years during the 1980s. End note.) Both of Chen's 2007 visits have tried to counter Ortega's campaign promises to return to full diplomatic relations with the PRC. Throughout this visit, Chen publicly repeated Ortega's affirmation of Nicaragua's commitment to Taiwan. Ortega kept his options open, saying that he hopes to establish formal diplomatic relations with both the PRC and Taiwan, as Nicaragua should be able to establish diplomatic relations with any country without conditions. Chen supported the idea, saying that it would be a great contribution to the diplomatic world -- indeed worthy of a "Nobel Peace Prize" -- if Ortega could achieve dual recognition.

¶5. (C) According to Taiwanese DCM, Ismael Wang, Taipei sees Nicaragua as a linchpin in the region now that Costa Rica has "switched sides." Wang told us that the Taiwanese fear that if Nicaragua were to switch recognition to the PRC, it would set off a domino effect among the other Central American and Caribbean countries that currently recognize Taiwan. As such, Wang said, "this is a matter of basic survival for the Taiwanese," a fact that he said the U.S. does not appreciate enough. In fact, during his visit, in the local press Chen accused the PRC of trying to bribe Costa Rica with USD 400 million in assistance and investments to break off ties with Taiwan.

¶6. (U) Chen was less successful in his visit's second objective, to gain public Nicaraguan support for Taiwan's petition to be granted UN membership. Chen stated publicly that he believed Nicaragua will support the bid. However, Ortega's only public statement was that he supported Taiwan's proposed March 2008 referendum on its membership application. He added that Nicaragua would make a decision based on the result of the referendum. Chen insisted that privately, Ortega had promised his support for Taiwan's UN bid.

What Nicaragua Gets in Return

¶17. (U) Throughout the visit, GON officials and media press reports bandied about several amounts of promised Taiwanese assistance. One report touted USD 1.1 million in financial aid to fight poverty. Another claimed the two countries had inked an assistance deal worth USD 400 million to cover infrastructure, energy, environment, and education. Minister of Health Maritza Quan requested USD 38 million in assistance to improve the conditions in all of Nicaragua's health care system, which the press claimed Chen promised to study seriously.

¶18. (U) In contrast, actual deliverables for the visit were quite slim. As soon as Chen arrived on August 26, he traveled straight to Matagalapa for a rally at a Hambre Cero site ("Hambre Cero," or Zero Hunger, is Ortega's signature poverty reduction initiative; see Ref B (NOTAL)). There Chen handed out 600 radios and ear-temperature thermometers to program recipients, which during his remarks Ortega valued at USD 1.1 million. In a separate ceremony on August 27, Chen gave USD 30,000 for the purchase of new equipment to the directors of the Roberto Calderon Hospital, the busiest in the country.

¶19. (U) The Taiwan also promised to help Nicaragua acquire power generators. Again, the GON and Taipei versions of this assistance varied. The Nicaraguans claimed Taipei would provide USD 30 million, but Chen said the two countries need to decide on the make and model of generator before they could discuss monetary terms. Taipei also pledged to look at the feasibility of helping Nicaragua develop alternative energy sources such as biomass.

¶10. (C) After the visit, Taiwanese DCM Wang told us that "not a single cent" had actually been committed. Wang said the value of Taipei donations, including the medical equipment, electrical generation capacity and a grain seed donation to Hambre Cero that was not reported publicly, was actually closer to USD 830,000. With a wry smile, he said he had no idea where the public figure of USD 400 million had come from, and asserted that it would be impossible for Taipei to actually come up with USD 400 million in direct assistance just for Nicaragua. Noting that Taipei's general preference was for assistance through direct investment, he said that Taiwanese were still in talks with GON officials as to the details. He confirmed that Nicaraguan FM Santos was expected to visit Taiwan for October 10 National Day celebrations and the aid package details would be worked out at that time.

¶11. (U) In response to criticism from home, Taipei representatives stated that Chen did not engage in checkbook diplomacy, as all of the assistance programs discussed during the visit were part of established assistance programs. In fact, Taipei has an a record of generous assistance to Nicaragua. For example, it was one of the first countries to deliver assistance after Hurricane Mitch, and it built Nicaragua's Foreign Ministry, former Presidential Offices, and National Assembly building in Managua.

The Private Sector May Derive More Benefits

¶12. (C) Taiwanese DCM Wang stated that most Taiwan assistance will be in the form of investment as opposed to direct aid. With investment, Taipei hopes to obtain a win-win situation by creating employment for Nicaraguans as well as the possibility of Taiwanese businesses actually getting some return on their investment. Taipei is also hoping to get Taiwanese state-affiliated enterprises such as Taiwan Electric directly involved as well.

¶13. (U) Trade and investment are already the most fruitful areas for Nicaragua-Taiwan cooperation. Two-way Nicaragua and Taiwan trade was USD 21.6 million in 2006. Principal imports from Taiwan included textiles, zippers (for the maquila assembly factories), electronics, kitchenware,

plastic products, and knitwear. Nicaragua's top exports to Taiwan were frozen beef, coffee, scrap metal, timber and cotton fabrics. There are 21 Taiwanese firms generating 30,000 jobs in Nicaragua. Taiwan and Nicaragua have negotiated a Free-Trade Agreement, which the Nicaraguan National Assembly has already approved. However, the GON has not published the FTA in the "Gaceta," the local equivalent of the Federal Register, because it claims to lack the USD 5,000 to do so. Thus, the FTA has not been actually enacted.

¶14. (U) During the visit, Ortega called on Nicaragua and Taiwan to implement the concept of "fair trade," so that small countries can benefit as much as large ones. He proposed the establishment of mixed enterprises, with Taiwanese technological, financial, and investment support, so that Nicaraguan products can fetch better prices. He asked Taiwan to diversify investment out of maquilas and focus on long-term investments in agriculture and animal husbandry.

¶15. (U) Ortega also used any opportunity or conversation regarding trade to rail against CAFTA. Focusing on his new theme of fair trade vs. free trade, Ortega said "fair trade does not leave you hanging when they want to; that is free trade, it leaves you hanging when you least expect it." Harping on a recent U.S. congressional proposal to impose a tax on cigars to fund health insurance for children (Ref C), Ortega added that "CAFTA is an unfair trade exchange, as when the U.S. wants it bans entry of products to its territory and slaps taxes on them, as in the most recent case with Nicaraguan cigars. Nicaragua lacks the force to respond to the U.S." Ortega recognized that in "other areas Nicaragua is placing products in the U.S., which benefits the country." But in the next breath he said "but one has to keep placing them, to continue fighting. Each time I speak with the representatives of the USG I tell them that they have to change this concept of free trade for fair trade."

Dealing with the Sandinistas

¶16. (C) According to Taiwanese DCM Wang, the Ortega-Chen relationship is not an easy one for the Taipei, as they see Nicaragua's "leftist government" as more naturally aligned with the PRC than with Taiwan. He suggested that Taipei must adapt to the "new Nicaraguan way of doing things," pointing out that President Chen purposely did not wear a suit jacket to appeal more to Sandinista sensibilities. The atmospherics for the trip surely made Chen uncomfortable at times. Ortega and his wife, Rosario Murillo, used several events to fly the leftist flag. During the August 26 rally in Matagalpa, Ortega, Murillo, and Chen took to the stage together accompanied by several socialist militant songs including "The Internationale," "The People United," and "Nicaragua will Triumph."

¶17. (C) Wang advised that the development of deep personal relationships with key officials is of utmost importance when dealing with the Sandinistas, especially individuals such as first lady Rosario Murillo. He pointed out that, unlike many other foreign missions, the Taiwan mission has managed to maintain direct, easy, and high level access to all GON ministries as a result of the personal relationships it has cultivated across all levels of FSLN leadership. When asked about Taiwan's previous loss of recognition during the first Ortega Administration, Wang said that the Sandinistas had actually cut off relations with Taiwan in retaliation for Taipei's support for the Contras) support that the U.S. had "forced" Taipei to give.

Comment

¶18. (C) The Taiwanese are obviously uncomfortable with and wary of dealing with the Sandinistas. However, they see the maintenance of their relationship with the FSLN as a matter of national security as well as diplomatic survival and are

thus willing to "endure the unendurable" to secure the precious fruit of continued diplomatic recognition. Given the proven mercurial tendencies of the Sandinistas and of Ortega himself, their natural leftist leanings, and the fact that China is now able to offer much richer awards than Taiwan, our assessment is that the Taiwanese may be overconfident in their ability to influence the Sandinistas.

BIO NOTES:

¶19. (C/NF) Ismael Wang: Taiwan Embassy DCM, married with two children (both currently attending Purdue University). Wang has served in Managua for six years, and was in Costa Rica for six years before his current assignment. He has also previously served a six-year tour in Spain. Wang plans to return to Taipei in six months and is considering retirement from the Taiwan foreign service. Wang speaks fluent Spanish, Mandarin Chinese, Taiwanese, and most likely speaks English at a professional level.

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